

## **Instruction for Preparing A Qualified Zone Academy Bond Application**

### **Background**

The Federal Taxpayer Relief Act of 1997 created the Qualified Zone Academy Bond Program. Under this program, state and local governments can issue Qualified Zone Academy Bonds at very low or even zero percent interest rates on behalf of eligible local educational agencies (LEA's) including eligible charter schools<sup>1</sup>. Eligible charter schools may work with a local government that has the authority to issue debt. Under this program, a bond is defined as any obligation and is subsidized by the Federal government in the form of tax credits to bondholders. Please note that the QZAB is a type of bond and does not provide any additional bonding authority beyond what is allowed under existing State and local law.

It is important that applicants read all rules and regulations regarding this program. Once the QZAB authority has been allocated by ADE to a local government or an LEA, it is the responsibility of that entity and its partners to comply with all rules and regulations. At best, failure to comply may jeopardize the tax credit benefits to your investors. Current rules, regulations and other information regarding the QZAB program can be found at the following websites:

Guidelines from U.S.DOE: <http://www.ed.gov/inits/construction/qzab.html>

Information and temporary regulations- U.S. Treasury:  
<http://www.irs/ustreas.gov/prod/taxregs/regslst7.html>

Enabling legislation- Taxpayer Relief Act of 1997 (H.R. 2014):  
<http://thomas.loc.gov/cgi-bin/quary/z?c105:h.r.2014.enr>:

In addition to federal law, the issuance of a QZAB must follow all applicable State and local law regarding debt issuance.

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<sup>1</sup> LEA's are defined in section 14101 of the Elementary and Secondary Education Act of 1965.

## **Requirements**

To qualify under this program, an eligible LEA or its program must meet the following criteria of a Qualified Zone Academy:

- (1) The public school or program must be located in an empowerment zone or an enterprise community, OR
- (2) At least 35 percent of the students attending the public school or program are eligible for free and reduced lunch under the National School Lunch Act,

Additionally, students in the public school or program will be subject to the same academic standards and assessments as other students educated by the eligible local education agency. The public school or program is designed in cooperation with business to enhance the academic curriculum, increase graduation rate, and better prepare students for the rigors of college and the increasingly complex workforce. The public school or its program must work in partnership with the business community and obtain at least a 10 percent contribution from the business community.

## **Qualified Business Contribution Requirement**

Business contribution(s) having a present value (from the date of issuance) of at least 10% of the proceeds of the QZAB is required. Contribution(s) can be in the form of:

- (1) Equipment for the use in the qualified zone academy
- (2) Technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,
- (3) Services of employees as volunteer mentors, opportunities outside the academy for students,
- (4) Internships, field trips, or other educational opportunities outside the academy for students, or
- (5) Any other property or service specified by the eligible local education agency.

## **Qualified Purpose of QZAB Proceeds**

Qualified Zone Academy Bond proceeds may be used for:

- (1) Rehabilitating or repairing the public school facility in which the qualified zone academy is established,
- (2) Providing equipment for use at such academy,
- (3) Developing course materials for education to be provided at such academy, and
- (4) Training teachers and other school personnel in such academy.

Please be advised that government entities and LEA's must ensure that the purposes for which the QZAB is issued conform to State and local statutes regarding incurring indebtedness for that entity or LEA. For example, if a school district issues a QZAB in the form of a general obligation bond, its proceeds cannot be used to purchase equipment or provide training.

## **Application Requirements**

All applicants must complete all applicable sections of the application in order to be considered:

- (1) Section I-Applicant Information
- (2) Section II-Local Government Information (Charter Schools Only)
- (3) Section III-Qualifying Zone Academy Eligibility
- (4) Section IV-Project Information
- (5) Section V-Business Contribution and Assurance
- (6) Section VI-LEA's Assurance

If the total amount of QZAB authority requested by all applicants exceed the total available, allocation to applicants will be made based on student count in the applicant district or charter system. **The deadline for application is February 20, 2002.** All application materials must be submitted to:

Scott Thompson  
QZAB Application  
Arizona Department of Education  
1535 W. Jefferson, Bin 2  
Phoenix, AZ 85007